

APPENDIX A

Item No. 17.	Classification: Open	Date: 13 December 2011	Meeting Name: Cabinet
Report title:		Badminton House, Quorn Road, SE22 – Disposal of Freehold interest	
Wards affected:		South Camberwell	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD - COUNCILLOR RICHARD LIVINGSTONE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

This report recommends the sale of Badminton House on the edge of the East Dulwich Estate. Cabinet agreed on 31 May to dispose of this site. The report identifies the risk of squatting if this building is left as it is. The commercial tenants in the shops at ground level will maintain their leases after the sale.

The proceeds of the sale will go to the housing investment programme to help make every council home warm, dry and safe. In doing so, it will replenish the resources from that programme used to refurbish the East Dulwich Estate. This is necessary as a result of the significant over-spend on the Southwark Estate Initiative programme to regenerate that estate.

RECOMMENDATIONS

1. That cabinet approves the disposal of the council's freehold interest in Badminton House, Quorn Road, SE22 ("the Property") on terms outlined in the closed version of this report, subject to council assembly's approval of an application to the Secretary of State for the Department for Communities and Local Government ("DCLG") for consent to the disposal of the property.
2. That cabinet recommends to council assembly that it approves an application to DCLG for consent to the disposal of the Property.
3. That cabinet authorises the capital receipt to replenish the Housing Investment Programme from which the East Dulwich Estate refurbishment programme was forward funded.
4. That cabinet authorises the head of property to agree any minor variations to the terms of the sale, with the purchaser, which may arise prior to completion of the transaction or alternatively to agree terms with any of the under bidders subject to best consideration requirements if in the unlikely event the original offer fails to progress to completion.

BACKGROUND INFORMATION

5. The East Dulwich Estate (which is held for housing purposes) was first identified for regeneration in 1997 and formed part of the Southwark Estates initiative (SEI), agreed by housing committee on 15 December 1998. The scheme proposed redevelopment and refurbishment to the estate of 753 properties in 24 blocks. Following a review, the executive agreed a new approach to this regeneration programme in April 2005. Whilst the scheme has largely been delivered cabinet approved on the 31 May 2011 variations of approach to both complete the regeneration and crucially to provide funding to reimburse the housing investment programme for expenditure already made.
6. The scheme is based on the SEI principle of self financing. Resources for the scheme are to be generated from a combination of ring fenced disposals from outside the estate and disposals of property assets from the estate itself. The cabinet report of the 31 May detailed the financial position which clearly identified the significant cost overruns to the project and the need to identify further property assets from within the estate to compensate for the increased expenditure incurred by the council necessary to complete the scheme.
7. Following consideration of a report dated the 31 May 2011 entitled 'East Dulwich Estate Regeneration Scheme Update and Proposals for Revision', cabinet resolved that 'in principle agreement be given to the disposal of Badminton House, including the commercial interests, to a third party and detailed terms to be considered at a later date'.
8. The property is a five storey traditionally built block currently arranged as two retail units situated on the ground floor and eleven residential units of varying bed sizes spread over the five floors. The retail units are let on commercial leases and are actively trading. All the residential units are empty. The property is identified in bold outline on the attached ordnance survey extract, at appendix 1.
9. Following the cabinet decision on the 31 May, the property has been marketed for sale by the council's property team. Following the preparation of both a brochure together with a relevant sales pack and after undertaking adequate due diligence, advertisements were placed in the Estates Gazette on the 9 July and 30 July. A sales board was also erected at the property during the period of marketing and a series of regular viewings were held for prospective purchasers.
10. A list of property contacts including, developers, architects, investors, registered providers and housebuilders were all sent a brochure detailing the development opportunity arising from the proposed sale. These marketing actions generated a healthy response by those that sought further information and the sales pack that detailed the informal tender process.
11. The informal tender exercise generated twelve bids from eleven bidders. Eleven of these bids were received by the bid date of the 23 September 2011. These are detailed in the spreadsheet contained in the closed version of this report.
12. From these twelve bids the top two bidders were asked to submit their best and final offers by the 7 October. These 'final' bids are detailed in the closed version of this

report.

13. The property is currently empty save for the retail units that occupy part of the ground floor. Although the Property has been robustly secured with metal grilles and security doors, it is at risk of further deterioration and becoming squatted.
14. The property is held in the housing revenue account (HRA).
15. The property was declared surplus to the council's requirements by the then strategic director of regeneration and neighbourhoods on 5 July 2011.

KEY ISSUES FOR CONSIDERATION

16. In accordance with the principles and policy of good asset management laid down by government, together with local authority regulations, councils are required to dispose of surplus property assets subject to best consideration requirements. The head of Property confirms that the sale of the property will comply with these requirements and the price achieved equates to its current market value.
17. The property has been properly marketed for sale by Informal tender and the highest bidder has been identified, thus complying with the council's statutory duty to achieve best consideration. The details of which are contained in the closed version of this report.
18. The sale of the property to a third party developer and/or investor should ensure that it is quickly brought back into beneficial use.
19. The capital receipt that will be generated as a result of the sale of the property is needed as a contribution to the costs of the estate refurbishment. These costs rose as the project progressed from an initial total capital cost of £25.1m to £30.9m. Cabinet have approved that this additional resourcing will be met by the sale of additional voids and the sale of the property.

Policy implications

20. The disposal of the property will generate a substantial capital receipt, which will be used to provide capital funding in support of the council's key priorities. This includes the provision, refurbishment and redevelopment of affordable housing. This assists the council in meeting its commitment to regeneration and sustainability in housing as demonstrated through the 2009-2016 Southwark Housing Strategy.
21. The disposal of the property is consistent with the recommendations contained within the report considered by cabinet on the 31 May 2011 entitled 'East Dulwich Estate Regeneration Scheme Update and Proposals for Revision'.

Effect of proposed changes on those affected

22. The sale of properties within the HRA stock will have a negative impact on the number of council properties available to let. However, this will be offset by gains made through investment to retained stock.

23. Increased investment into Southwark's stock to provide warm, dry and safe homes will have a positive impact on disadvantaged and minority communities, who are statistically more likely to be council tenants than the general population as a whole.
24. The commercial tenants occupy their units on leases which have statutory protection which will continue after the sale of the property. They have been advised of the sales process and of the relatively small impact that a change of ownership will have on them.

Community impact statement

25. The East Dulwich Estate regeneration project team (EDERPT) has been central to the delivery of the estate regeneration. Consultation and regular communication with the group has been ongoing throughout the delivery of the overall regeneration project. EDERPT are opposed to the outright disposal of the property.
26. Any planning application seeking to redevelop or change the use of any part of the property will have to conform to the requirements of the local development framework and will be subject to the statutory consultation process.
27. Any refurbishment or redevelopment of this currently deteriorating and empty block will likely have a positive benefit on the wider community.

Resource implications

28. The HRA rent budget for 2011/12 allows for stock loss through void sales and we have requested that CLG take these into account in setting our self-financing debt level for 2012/13 onward. There are no current recurring costs.
29. As the property is being disposed of under the strategy, set out in the report to Executive on 31 May 2011 the impact of loss of rental potential and on subsidy has been considered within the cumulative impact on the housing revenue account of this strategy.
30. There will be loss of rental income derived from the retail units. These currently generate a combined rental of £13,300 per annum.
31. The purchaser has agreed to pay the council a contribution towards its surveyors and legal costs. This is based upon 0.5% of the purchase price.
32. Disposals expenditure would include reasonable incidental management and legal charges which would be reimbursed from receipts, as well as sales and marketing costs.
33. The proposed transaction is largely without condition and therefore should complete within the financial year.
34. There are no other risks or costs involved.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

35. Cabinet is advised that as the property is land held for housing purposes any disposal of it can only proceed in accordance with Section 32 of the Housing Act 1985 (as amended) (“the 1985 Act”), for which purposes the consent of the Secretary of State for the Department of Communities and Local Government is required (“the DCLG”). However, a number of general consents have been issued in The General Housing Consents 2005 (“the General Consents”) which permit the sale of housing land, provided that certain conditions are met.
36. The proposed disposal of the Property is one which is not permitted under the General Consents and therefore the council will need to seek the consent of the DCLG to the disposal of the property. The recommendation to dispose of the Property is a matter reserved to cabinet for collective decision making under Part 3C, paragraph 13 of the council’s constitution. Agreeing an application to the DCLG for consent to dispose of the Property is a matter reserved to council assembly under Part 3A, paragraph 12 of the council’s constitution.

Finance Director

37. This report concerns the disposal of the council’s freehold interest in Badminton House, Quorn Road, and the use of the capital receipt to replenish the housing investment programme. This is subject to the head of property agreeing any minor variations with the purchaser.
38. The finance director notes best consideration will be obtained as outlined in paragraph 16, and that the purchaser will pay a further 0.5% as a contribution to the council’s surveying and legal fees laid out in paragraph 31. Officer time to effect the recommendations will be contained within existing budgeted revenue resources.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Badminton House, Quorn Road, London SE22	Paul Davies Development Team, Property Division, 160 Tooley Street, London SE1 2QH	Paul Davies 020 7525 5529

APPENDICES

No.	Title
Appendix 1	OS plans, indicating the property – Outlined in bold

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Paul Davies, Principal Surveyor	
Version	Final	
Dated	2 December 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	2 December 2011	